



**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

Independent Accountants' Report on Applying Agreed-upon Procedures

Quarters Ended March 31, 2006 and June 30, 2006

**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

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Independent Accountants' Report on Applying Agreed-upon Procedures

Mr. R. Thomas Wagner Jr.
State Auditor
Office of Auditor of Accounts
State of Delaware:

We have performed the procedures enumerated below, which were agreed to by the Office of State Treasurer and the Office of Auditor of Accounts, State of Delaware, solely to assist you in evaluating the bank reconciliations of the Office of State Treasurer as of and for the quarters ended March 31, 2006 and June 30, 2006. The Office of State Treasurer's management is responsible for the State's bank reconciliations. The agreed-upon procedures engagement was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

- Compared the list of accounts generated from the Delaware Financial Management System (DFMS) to the bank accounts reconciled by the State Treasurer's Office and the accounts included as part of each quarter's ending cash balance in cash account 1001 on DFMS and found them in agreement.
- Obtained the State Treasurer's Office reconciliation of bank balances to DFMS for each quarter, and performed the following:
 - For the March and June reconciliations, agreed each bank balance to the actual bank statements, and also agreed each book balance to the DFMS summary trial balance report. For the June reconciliations, we agreed the bank balance to the bank confirmations. No exceptions were noted.
 - For the March and June reconciliations, obtained explanations and examined supporting documentation for reconciling items over \$3,251,250, including the subsequent clearing of these reconciling items in following months when applicable. No exceptions were noted.
 - Recalculated the March and June reconciliations for mathematical accuracy. No exceptions were noted.
 - For the March and June reconciliations, compared the types and amounts of reconciling items over \$3,251,250 for non-recurring items. No items were noted that were both over \$3,251,250 and non-recurring.
 - Agreed each quarter's ending cash balance to the Financial Report submitted to the Governor by the Secretary of Finance. No exceptions were noted.



- Read the Office of State Treasurer’s bank reconciliation policies and procedures in order to determine if these policies and procedures were applied when the Office of State Treasurer performed its reconciliations for the months ended March 31, 2006 and June 30, 2006. No deviation from written policy was noted.
- Obtained the Wire Transfer Log for each quarter and performed the following procedures:
 - Selected transfers for amounts in excess of \$3,251,250 for the March and June quarters and agreed the transfer information to the applicable month’s bank statements, ensuring both sides of the transfer actually occurred within one business day. No exceptions were noted.
 - Agreed the transfer activity selected to the appropriate postings in the accounts on the DFMS summary trial balance report. No exceptions were noted.
 - Selected five transfers per quarter from the zero-balance bank accounts and agreed the net activity to the corresponding clearing in the concentration bank account. In addition, agreed the monthly posting of the zero balance and concentration account activity to the DFMS summary trial balance report. No exceptions were noted.
- Obtained the Office of State Treasurer’s General Account Reconciliation for the March and June quarters, summarized each quarter’s reconciliations into the form of exhibit A attached, and performed the following procedures:
 - Agreed the bank account information to the corresponding bank statements. No exceptions were noted.
 - Agreed the ending book balance to the ending balance as reported in exhibit B and to the quarter-end reconciliations. No exceptions were noted.
- Obtained the monthly rollforward of cash activity from the Office of State Treasurer, summarized the quarterly activity and obtained the “Proof of Cash Reconciliation” in the form of exhibit B attached, and performed the following procedure:
 - Agreed the beginning balances to the prior month’s ending balances and agreed the ending balances to the monthly reconciliations. No exceptions were noted.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the specified bank reconciliations. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Office of State Treasurer and the Office of Auditor of Accounts, State of Delaware, and is not intended to be, and should not be, used by anyone other than these specified parties. However, under 29 Del.C., Section 10002(d), this report is a public record and its distribution is not limited. This report, as required by statute, was provided to the Governor, Controller General, Attorney General, Office of Management and Budget, and Department of Finance.

KPMG LLP

August 31, 2006

**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

Schedule of Findings

Quarters ended March 31, 2006 and June 30, 2006

Current-Quarter Findings and Recommendations

No findings or recommendations noted.

Exhibit A**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS****General Account Cash Reconciliation**

March 31, 2006

Balance per Mellon Bank, March 31, 2006	\$ 17,624,074
Additions:	
Investments held by Morgan Bank	171,943,711
Investments held by Wilmington Trust	366,355,353
Investments held by Wachovia Bank	376,684,207
Receivables from various sources	144,910
Deposits in transit	1,066,206
Balance at Bank of New York, account number 343891	170,074,304
Fidelity Government Obligation Bonds 1998A	44,104,139
Balance at Wilmington Trust, Delaware Local Government Investment Pool (DELGIP), account number 51828	107,199,648
Wilmington Trust Land and Water Conservation Trust Fund #1	64,675,868
Balance of Wachovia Acct., Justice of Peace, account number 2000013021469	36,014
Balance at Bank of America, Division of Corp. State Lockbox, account number 2001800374	960,011
Balance at Wilmington Trust, Morgan Grenfield Intermediate, account number 34416-0	294,839,629
Balance at Bank of America, Labor Lockbox	624,140
Balance at PNC Bank, Concentration, account number 56-9401099-3	964,371
Balance at PNC Bank, DMR Special Services, account number 56-94003988	201,650
Balance at PNC Bank, Bond Account, account number 56-94010846	10,499,562
Subtotal	<u>1,610,373,723</u>
Deductions:	
Outstanding Zero Balance Accounts (ZBAs) – outstanding checks	86,313,064
Payable for bank errors	30,428
Payable to Mellon Bank	4,204
Payable to PNC Bank miscellaneous adjustments	44,324
Subtotal	<u>86,392,020</u>
Balance per State Treasurer's books, adjusted, March 31, 2006	<u><u>\$ 1,541,605,777</u></u>

Exhibit A**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS****General Account Cash Reconciliation****June 30, 2006**

Balance per Mellon Bank, June 30, 2006	\$ 6,396,235
Additions:	
Investments held by Morgan Bank	173,568,346
Investments held by Wilmington Trust	368,483,152
Investments held by Wachovia Bank	380,346,076
Receivables from various sources	154,463
Balance at Bank of New York, account number 343891	171,978,321
Balance at Bank of New York, account number 353607	22,347
Fidelity Government Obligation Bonds 1998A	13,328,579
Balance at Wilmington Trust, DELGIP, account number 51828	312,529,182
Wilmington Trust Land and Water Conservation Trust Fund #1	63,095,434
Balance of Wachovia Acct., Justice of Peace, account number 2000013021469	45,819
Balance at Bank of America, Division of Corp. State Lockbox, account number 2001800374	641,310
Balance at Wilmington Trust, Morgan Grenfield Intermediate, account number 34416-0	296,940,689
Balance at Bank of America, Labor Lockbox	534
Balance at PNC Bank, Concentration, account number 56-9401099-3	992,981
Balance at PNC Bank, DMR Special Services, account number 56-94003988	206,101
Balance at PNC Bank, Bond Account, account number 56-94010846	5,625,198
Subtotal	1,787,958,532
Deductions:	
Outstanding ZBAs – outstanding checks	60,159,281
Payable for bank errors	30,629
Deposits in transit	12,531
Payable to Mellon Bank	10,069
Payable to PNC Bank miscellaneous adjustments	44,324
Subtotal	60,256,834
Balance per State Treasurer's books, adjusted, June 30, 2006	\$ 1,734,097,933

Exhibit B**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS****Proof of Cash Reconciliation****Three months ended March 31, 2006**

Balance per State Treasurer's books, January 1, 2006	\$ 1,559,433,129
Additions:	
Deposits to cash receipts journal	1,613,948,848
Outstanding cash receipts	31,877,612
Accrued interest Wilmington Trust Land and Water Conservation Trust Fund #1	884,760
Receivables for bank errors	10,566
Outstanding checks – prior months	201,841,480
Subtotal	<u>1,848,563,266</u>
Deductions:	
Division of Mental Retardation transfer	13,162
Deposits to cash receipts journal – credit card payments booked in transit	1,088,746
Deposits to cash receipts journal – prior months	50,270,824
Transfer for principal and interest bonds	50,725,000
Transfer from Mellon Bank for payroll and pension direct deposit	364,708,434
Transfer from Mellon Bank to Mercantile Bank for pensions	42,437,684
Transfer from Mellon Bank for Supplemental Security Insurance	301,947
Transfer from Mellon Bank for deferred compensation	1,166,673
Transfer from Mellon Bank for Coventry Healthcare	21,072,711
Transfer from Mellon Bank for National Data	14,446
Transfer from Mellon Bank for ACI Payment	1,555,860
Transfer from Mellon Bank for IFTA	186,169
Transfer from PNC Bank for bank fees, State Personnel Office	5,750
Transfer from PNC Bank for bonds	27,265,854
Transfer for federal income tax, FICA, and Medicare	102,440,806
ACH transfers	520,360,389
Bad-check summary	55,561
Transfer for cleared ZBAs	454,795,537
Transfer for outstanding ZBAs	227,925,065
Subtotal	<u>1,866,390,618</u>
Balance per State Treasurer's books, adjusted March 31, 2006	<u><u>\$ 1,541,605,777</u></u>

Exhibit B

**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

Proof of Cash Reconciliation

Three months ended June 30, 2006

Balance per State Treasurer's books, April 1, 2006	\$ 1,541,605,777
Additions:	
Deposits to cash receipts journal	1,894,538,379
Outstanding cash receipts	30,407,376
Accrued interest Wilmington Trust Land and Water Conservation Trust Fund #1	669,567
Receivables for bank errors	2,001,734
Outstanding checks – prior months	256,751,804
Division of Mental Retardation transfer	4,450
Bad-check summary	85,920
Subtotal	<u>2,184,459,230</u>
Deductions:	
Deposits to cash receipts journal – credit card payments booked in transit	1,870,355
Deposits to cash receipts journal – DNREC	47,738
Deposits to cash receipts journal – prior months	33,252,231
Transfer for principal and interest bonds	47,160,000
Transfer from Mellon Bank for payroll and pension direct deposit	322,294,380
Transfer from Mellon Bank to Mercantile Bank for pensions	40,862,916
Transfer from Mellon Bank for Supplemental Security Insurance	215,139
Transfer from Mellon Bank for Coventry Healthcare	24,030,431
Transfer from Mellon Bank for Medicaid	4,061,803
Transfer from Mellon Bank for Tom March	4,685
Transfer from Mellon Bank for Diane Hungate	994
Transfer from Mellon Bank for City of Wilmington	5,000,000
Transfer from Mellon Bank for paycheck wire	956
Transfer from Mellon Bank for ACI payment	1,242,415
Transfer from Mellon Bank for Treasurer, USA	33,969
Transfer from Mellon Bank for IFTA	213,830
Transfer from Mellon Bank for IBO	228
Transfer from Mellon Bank for DHSS	1,125,839
Transfer from PNC Bank for bank fees, State Personnel Office	5,663
Transfer from PNC Bank for bonds	3,129,688
Transfer for federal income tax, FICA, and Medicare	121,626,971
ACH transfers	594,277,104
Transfer for cleared ZBAs	560,911,719
Transfer for outstanding ZBAs	230,598,020
Subtotal	<u>1,991,967,074</u>
Balance per State Treasurer's books, adjusted June 30, 2006	<u><u>\$ 1,734,097,933</u></u>